

Message Text

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ACTION ARA-20

INFO OCT-01 ADP-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

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AID-20 COME-00 EB-11 FRB-02 TRSE-00 XMB-07 OPIC-12

CIEP-02 LAB-06 SIL-01 OMB-01 RSR-01 /152 W

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SUBJ: PRESIDENT BANZER'S SPEECH ON ANNIVERSARY OF AUGUST 1971
REVOLUTION

BEGIN SUMMARY. PRESIDENT BANZER'S SPEECH ON SECOND ANNIVERSARY OF
AUGUST 21, 1971 REVOLUTION EMPHASIS ON RECENT FAVORABLE CREDIT DEVELOP-

MENTS, WHILE DEFENDING REGIME AGAINST ITS DOMESTIC AND FOREIGN
CRITICS. END SUMMARY.

1. PRESIDENT BANZER'S ADDRESS TO THE NATION ON AUGUST 21, SECOND

ANNIVERSARY OF SUCCESSFUL REVOLUTION WHICH HE LED AGAINST TORRES
REGIME, WAS LARGELY DEVOTED TO ENUMERATION OF RECENT FAVORABLE
ECONOMIC CREDIT DEVELOPMENTS. IN LIMITED POLITICAL COMMENTARY
WITHIN SPEECH, BANZER ASSERTED THAT CHARGES BY DOMESTIC AND FOREIGN
CRITICS THAT GOVERNMENT OPERATES POLITICAL PRISONS AND OPPRESSES
OPPOSITION ARE FALSE. "THOSE WHO ARE CURRENTLY DETAINED,"
HE STATED, "ARE FULLY PROTECTED AND ARE BEING PROCESSED

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BY THE COURTS."

2. ON ECONOMIC MATTERS, BANZER ANNOUNCED CREATION OF NATIONAL DEVELOPMENT FUND (FONDO NACIONAL DE DESARROLLO) WITH "IMPORTANT FINANCIAL RESOURCES OBTAINED UNDER ADVANTAGEOUS TERMS." INITIAL RESOURCES OF FUND, ACCORDING TO THE PRESIDENT, WILL COME FROM US \$60 MILLION LOAN, WITH ADDITIONAL \$165 TO BE OBTAINED LATER FOR A TOTAL OF \$225 MILLION. BANZER STATED THAT LOANS WERE OBTAINED AT SIX PERCENT ANNUAL INTEREST RATE, OVER FIFTEEN TO TWENTY-FIVE YEAR TERM. HE ADDED THAT "DISBURSEMENTS OF THE FUNDS WILL BE PERIODIC AND SCALED IN ACCORDANCE WITH A PROGRAM WHICH WOULD BE THE FRUIT OF SERIOUS STUDY AND OF THE MOST DETAILED PLANNING."

3. BANZER FURTHER ANNOUNCED CREATION OF AN "INVESTMENT AND PROJECT-FINANCING BANK." AUTHORIZED CAPITAL OF THIS BANK REPORTEDLY WILL BE \$US 36 MILLION AND A PAID-IN CAPITAL OF \$US 18 MILLION.

4. FINALLY, PRESIDENT BANZER SAID THAT, IN THE TWO YEARS OF HIS GOVERNMENT, MORE THAN \$US 300 MILLION IN LOANS FROM FOREIGN SOURCES FOR VARIOUS PROGRAMS AND PROJECTS WERE OBTAINED.

5. COMMENT: MINFIN BEDREGAL AND IMF REP KREIS HAVE CONFIRMED TO EMBOFF THAT GOB HAS SIGNED A \$60 MILLION LOAN WITH PRINCIPALLY EUROPEAN FINANCIERS AND SMALLER AMOUNT FROM ASIAN SOURCES. THE TERM OF THIS LOAN IS 15 YEARS, 2 YEARS GRACE, 6 PERCENT INTEREST AND 5 PERCENT COMMISSION.

THIS FUND WILL BE USED PRINCIPALLY FOR LOCAL CURRENCY CONTRIBUTIONS TO FOREIGN FINANCED PROJECTS, TO PROVIDE COMPLETE FINANCING FOR PARTICULAR PROJECTS (NOT SPECIFIED), ALTHOUGH OTHER REQUIREMENTS (BUDGET SUPPORT) ARE NOT PRECLUDED. (WE ALSO NOTE THAT BANZER'S SPEECH SEEMS TO CLOSE OFF BUDGET SUPPORT.) THE LOAN WILL BE DISBURSED IN TRanches WITH FIRST \$20 MILLION TO BE RELEASED IN OCTOBER AND DIFFERING AMOUNTS OVER NEXT TWO YEARS AS REQUIREMENTS ARISE. AS FOR THE OTHER \$165 MILLION MENTIONED BY PRESIDENT BANZER, WE HAVE NO DEFINITE INFORMATION AS TO SOURCE (S), TERMS, ETC.

6. LA PAZ NEWSPAPER "PRESENCIA" OF AUGUST 22 REPORTED ISSUANCE LIMITED OFFICIAL USE

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OF A SUPREME DECREE AUTHORIZING FUNCTIONING OF "BANCO DE LOS ANDES", THE INVESTMENTS FINANCING BANK, WITH AN AUTHORIZED CAPITAL OF \$US 18 RPT 18 MILLION (WHICH CAN BE RAISED TO \$US 36 MILLION) AND A PAID-IN CAPITAL OF \$US 9 MILLION.

7. AS REPORTED, PURPOSE OF THE BANK IS TO FOMENT PUBLIC AND PRIVATE SECTOR INVESTMENT IN MINING, AGRICULTURE, CATTLE-RAISING, INDUSTRY, TOURISM, SERVICES AND FOREIGN COMMERCE. NEW BANK IS

TO ESTABLISH ITSELF, IN ACCORD WITH PERTINENT LAWS,
WITHIN 180 DAYS. (ADDITIONAL DETAILS ON THIS BANK WILL FOLLOW
BY AIRGRAM.)
BREWIN

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